

Excise Tax Advisory

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ETA 3013.2009

Issue Date: February 2, 2009

Rental Value of a One-Use Article

Where an article of bailment has only one use, what will be the measure of the fair rental value?

Assume Taxpayer is engaged in the business of making steel castings of a specified size and shape for its customers. Taxpayer purchases the patterns it uses from suppliers and charges its customers separately for the cost of the patterns. The patterns are turned over to the customers if they requested them -- otherwise they were held by Taxpayer for use on re-orders or discarded. Taxpayer is a bailee.

For use tax purposes, RCW 82.12.010(l) allows a taxpayer to use the reasonable rental value of articles used in computing "value of the article used" when such articles are acquired by bailment.

Where the nature of an article of tangible personal property is such that it is capable of being used by only one user and the article is bailed to that user, the reasonable rental value of the articles used is the full value of the article when its only use occurred during the bailment period.

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